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## MEMORANDUM

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NATIONAL SECURITY COUNCIL

August 26, 1982

MEMORANDUM FOR L. PAUL BREMER II  
Executive Secretary  
Department of State

DAVID PICKFORD  
Executive Secretary  
Department of the Treasury

LTC RICHARD HIGGINS  
Assistant for Interagency Matters  
Office of the Secretary of Defense

STEPHEN SHIPLEY  
Executive Assistant to the Secretary  
Department of the Interior

JEAN JONES  
Director, Executive Secretariat  
Department of Commerce

WILLIAM V. VITALE  
Director, Office of the Executive Secretariat  
Department of Energy

WILLIAM SCHNEIDER  
Associate Director for National Security and  
International Affairs  
Office of Management and Budget

[Redacted]  
Executive Secretary  
Central Intelligence Agency

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ROGER PORTER  
Special Assistant to the President  
for Policy Development

BENJAMIN ZYCHER  
Special Assistant to the Chairman  
Council of Economic Advisors

COL GEORGE A. JOULWAN  
Executive Assistant to the Chairman  
Joint Chiefs of Staff

SHEILA DRYDEN  
Special Assistant to the Director  
Federal Emergency Management Agency

SUBJECT: Minutes of NSSD-9-82, Overview Group, Monday, August 23,  
1982 -- 2:00 P.M., Situation Room, The White House (S)

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Attached are the minutes of the Overview Group Meeting for NSSD-9 on August 23, 1982. It points out again, as announced at the meeting, that comments on the paper circulated at the meeting entitled U.S. Energy Security Policy: Defense in Depth, are due to the NSC (Nau) by COB, Friday, August 27, 1982, and comments on Part II-D and Part III drafts are due by COB, Wednesday, September 1, 1982 to CIA (Dave Cohen) and NSC (Nau) respectively. (S)

*Carolyn S. Cleveland*  
Michael O. Wheeler *for*  
Staff Secretary

Attachment

Minutes of NSSD-9 Meeting

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90679SECRETMinutes from NSSD-9 Meeting of August 23

The meeting was opened by requesting that principals submit comment in writing on Sections III-A and III-B 3 & 4. These are to be sent to Henry Nau by Wednesday, September 1. Comments on Section II-D should be submitted in writing to Dave Cohen by the same date. Section II-D will not be completed until OMB (Mike Hamburger) completes a quantification of the macro effects, and DOD completes a review and revision of their section of II-D within the next two weeks. All inputs should be concise and respect the excellent editing work of Dave Cohen and the CIA. (S)

The complaint was voiced that Section III drafts contained too much economic jargon. It was noted that this would be corrected in subsequent revisions, but stressed that the economists in each agency should review the paper for substance. (S)

The balance of the meeting focused on a discussion of a paper entitled U.S. Energy Security Policy: Defense in Depth. Henry Nau provided a brief overview of the paper which outlined a defense in depth in three sequential bases appropriate for dealing with emergency energy security problems. It was decided to focus in particular on the second line of defense, emphasizing supply side measures such as the use of SPR, to intervene in the market if and when this became necessary. Ben Zycher commented that he felt there was little value in examining contingency plans for the SPR, especially since we had no information on the impact of the SPR on private stock behavior. Zycher also felt there was a need to challenge the IEA concept and examine alternatives. State Department felt the pros and cons of the IEA were already addressed in the NSSD draft. OMB felt there was a need to criticize the IEA sharing formula, and it was agreed that even though we support the IEA as an institution and the emergency sharing program as the cornerstone of the institution, an internal paper would be prepared that looked at the sharing scheme and made recommendations for modifications over time that would make this arrangement more efficient and market-oriented. (S)

DOD felt there was a need to examine how the SPR would be used. This view was supported by others who felt that an examination of both varying levels of SPR use and the type of market response was needed. The analysis should examine the effects of different draw rates under varying assumptions on the price and other effects of disruptions established in Part II-D of the study. (S)

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OMB questioned the need for inclusion of voluntary demand restraint measures in the listing of existing policies for the second line of defense. After some discussion, it was agreed to do a paper (OMB) articulating the Administration's current policy on this issue. OMB also felt that the market option should not be ruled out in the discussions relating to the third line of defense which will be developed in Part IV of the NSSD. OMB expressed the view that a consensus existed to press ahead with the further study and development of supply side programs relevant to the second line of defense.

At the close of the meeting, Henry made the following points:

- Comments on his "defense in depth" paper should be delivered to him by Friday. Based on these comments, he will circulate for comment a draft NSC directive, establishing a short and long-term work program for analyzing and developing supply side measures (i.e., second line of defense) to intervene in the market if and when this becomes necessary. After this paper has received comments, Judge Clark will issue this directive to appropriate agencies specifying the type of analysis which should be undertaken in the next several weeks and then over the next 12-18 months.
- Comments on Section III drafts should be delivered to Henry Nau by next Wednesday (1 September). Comments on Section II-D should be sent to Dave Cohen by the same date.
- A working group will be convened by Henry sometime during the next week or so to consider revisions to Section III. The NSSD work should be completed in the next 6-8 weeks and further analysis resulting from the NSSD study will continue over the next year or so. (S)

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